GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4823
ANSWERED ON:24.08.2001
MOU FOR FISCAL REFORMS
Y.S. VIVEKANANDA REDDY

Will the Minister of FINANCE be pleased to state:

(a) whether Union Government have signed MoUs on fiscal reforms with Assam and Nagaiand;

(b) if so. whether the Government are also considering to follow the same procedure in regard to Orissa, Himachal Pradesh and other North-Eastern States;(cj whether the traditional MoU route has been given a quite burial with the new mechanism proposing to bring all States under its net;

(d) if so, the extent in which this new tradition of MoU will give the States to be part of the fiscal reforms programme; and

(e) the time by which the Government are likely to sign this MoU with Karnataka and other Stales?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL) :

(a) to (c) In 1999-2000, Government of India had signed a Memoranda of Understanding onfiscal reforms with 13 States including Assam and Nagaiand. Consequent upon the acceptance of the recommendations of the Eleventh Finance Commission on its additional term of reference on States` Fiscal Reforms and subsequent issuance of guidelines to States inthis regard. States should draw a Medium Term Fiscal Reforms Programme (MTFRP) delineatingsteps to improve their revenue balances. This would form the basis of a fresh Memorandum of Understanding to be entered into between each State and Government of India.

(d) The States` Fiscal Reform Facility and the MTFRP is essentially the States` owprogramme. Considerable flexibility in designing the policy framework has been left to the initiative of the State Governments. If the trend of improvement as suggestedin the scheme continues, the State Sector as a whole is expected to come into revenue balance by the financial year 2005-06.

(e) The Government of Karnataka and some other States have submitted their Medium TermFiscal Reforms Programme (MTFRP) for the period 2000-01 to 2004-05to the Government of India.